

Nacimiento Water Project

Nacimiento Project Commission Notice of Meeting and Agenda

Thursday, June 23, 2005 – 4:00 pm

Templeton Community Services District Board Room
420 Crocker Street, Templeton CA

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| <ul style="list-style-type: none">I. Call to Order, Roll Call, and Flag SaluteII. Public Comment
This is the opportunity for members of the public to address the Commission on items that are not on the agenda, subject to a three minute time limit.III. Meeting Notes from April 28, 2005
(RECOMMEND APPROVAL)IV. COMMISSION INFORMATION ITEMS – written reports with brief verbal overview by staff or consultant. No action is required.<ul style="list-style-type: none">a. Project Management Reportb. Project Schedulec. Project BudgetV. PRESENTATIONS – no action required.
NoneVI. COMMISSION ACTION ITEMS
(Commission action only, no subsequent Board of Supervisors action required)<ul style="list-style-type: none">a. Meeting with MCWRA - Request to designate Commissioners to meet with MCWRA.b. Value Engineering – Request for approval of modifying the Value Engineering process.VII. COMMISSION ACTION ITEMS
(Board of Supervisors action is subsequently required)<ul style="list-style-type: none">a. Design Phase Funding Direction - Request for direction on design phase debt financing through commercial paper.VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION | <p>Commissioners
Harry Ovitt, Chair, SLO
County Flood Control &
Water Conservation
District
Dave Romero, Vice Chair,
City of San Luis Obispo
David Brooks, Templeton
CSD
Grigger Jones,
Atascadero MWC
Frank Mecham, City of El
Paso de Robles</p> |
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Nacimientto Project Commission
June 23, 2005

Agenda Item III – Meeting Notes from April 28, 2005

I. Call to Order, Roll Call, and Flag Salute

4:00 pm – Commission Chair Ovitt called the meeting to order; all Commissioners present; introduction of John Hollenbeck, Project Manager; flag salute and pledge of allegiance performed.

II. Public Comment

None

III. Meeting Notes from February 24, 2005 Meeting

On motion of Commissioner Mecham, seconded by Commissioner Brooks, the meeting notes of February 24, 2005 were approved on a 5-0 vote.

IV. Project Management, Schedule, and Budget Reports

John Hollenbeck provided an overview of the written project management report and distributed an organization chart for the technical team. John suggested a coordination meeting with Monterey County Water Resources Agency representatives and there were general remarks of support. Commissioner Mecham asked about use of the low level outlet works and John and Christine Halley clarified the pertinent contract terms and outlined options examined during project planning. A meeting of the Finance Committee is scheduled for May. John said that Commission outreach to Congressman Thomas' office regarding possible funding would be welcome. John circulated sample progress reports. Commissioner Romero complimented the revised agenda format and Commissioner Mecham expressed thanks for background on consultant selection as documentation for future commissioners.

John Hollenbeck has lead on project schedule development and will report at future Commission meetings.

Christine Halley reported on the basis of the \$150 million project cost estimate, noting that all project activity is carrying out the Commission's primary directive, i.e. to build the Nacimientto Water Project. Line item budgets are estimates that will change as scope is better defined and such changes are covered in the \$25 million contingency. At Commissioner Mecham's request, Christine clarified the increase in the surveying budget and the projected decrease in design engineering, noting that negotiations with the designer should be underway by June. Commissioners requested more information when future line item budget adjustments are proposed.

V. Commission Information Items w/ Presentations

Mark Hutchinson outlined the approach to environmental permitting for the project. He reviewed potential risks to staying on schedule and within budget, and then outlined strategies being followed to mitigate those risks. Mark introduced Leslie Moulton and John Waggoner of ESA. John and Leslie presented a "fly over" noting significant environmental issues along the route. The ESA team has participated in 7 pipeline projects since 2002, each 20-50 miles long. Commissioner Romero remarked on the Army Corps of Engineer's lack of responsiveness to local concerns. Commissioner Mecham suggested that the City of Paso Robles' updated General Plan might be valuable in the permit strategy.

VI. Commission Action Items, No Subsequent Board of Supervisors Action Required – N/A

VII. Commission Action Items – Board of Supervisors Action is Subsequently Required

a. Request for approval to contract for project geotechnical services with Geomatrix

Christine Halley reviewed the procurement process for geotechnical services, describing the proposal evaluation and interview process. Commissioner Brooks asked how such contracts were administered and John Hollenbeck opined that assignment to the designer would be a good technical approach if legal terms could be settled. On motion of Commissioner Jones, seconded by Commissioner Romero, the Commission recommended award of the contract to Geomatrix in the amount of \$549,800 without contingencies, and directed that the contract be assignable to the design engineering firm so that contingencies for design services are established to cover contingencies for geotechnical services. Passed 5-0.

b. Request for approval to contract for project surveying services with Cannon Associates

John Hollenbeck reviewed the procurement process for surveying services, describing the proposal evaluation process. Commissioner Romero noted Cannon's favorable reputation and Commissioner Mecham asked if the proposal evaluation results could be shared with other Commissioners. Noel King replied yes. On motion of Commissioner Brooks, seconded by Commissioner Romero, the Commission recommended award of the contract to Cannon Associates in the amount of \$589,000 plus \$100,000 contingencies. Passed 5-0.

VIII. Future Agenda Items Desired by Commission

None stated.

Meeting adjourned at 5:25 pm.

Submitted by Christine Halley, TJCross Engineers

Nacimiento Project Commission
June 23, 2005
Agenda Item IV.a – Project Management Report
(Information Only – No Action Required)

PROJECT RESOURCES

The following is a list of the project resource advancements that have occurred since the April Commission meeting. An updated Delivery Team organization chart is presented on page IV(a)-6:

- **Surveying Services: Cannon Associates'** contract was approved by the Board of Supervisors on June 14, 2005.
- **Geotechnical Services: Geomatrix'** contract was approved by the Board of Supervisors on June 7, 2005.
- **Engineering Design Services:**
 - ◆ Firm Selected: Black & Veatch Corporation
 - ◆ Background: Request for Qualifications (RFQ) was released by the District on March 18, 2005, asking for Statement of Qualifications (SOQ) to be issued by April 22, 2005. Five firms responded, and one was judged non-responsive.
 - ◆ SOQ Evaluation: The four responsive SOQ's were reviewed by a four-member evaluation panel made up of two District staff and one staff member each from the cities of Paso Robles and San Luis Obispo. The evaluation panel judged three firms, Black & Veatch, Carollo, and CDM, to be qualified to move to the next step and make a presentation and participate in an oral interview. At this stage in the evaluation, Black & Veatch and Carollo were identified to be ranked near the best, and CDM was ranked third.
 - ◆ Interview Evaluation: Oral presentations and interviews were conducted on May 17, 2005. A six-member panel made up of two District staff, one Atascadero Mutual Water Company staff, one Central Coast Water Authority Staff, and one each from the cities of Paso Robles and San Luis Obispo was assembled to hear the presentations and participate in a question and answer period. The District's Director of the Department of Public Works was a non-voting observer of the process.

Afterwards, each panel member conducted individual scoring of the three firms. The aggregate scoring of the firms indicated Carollo was first by 0.8-percentage points over Black & Veatch, with CDM third by a significant difference. A lengthy discussion amongst the panel followed where panel members discussed their observations of advantages and disadvantages of various components of the firm's scope and capabilities. A voice vote was then conducted asking which firm, Black & Veatch or Carollo, was the panelist's recommendation for the engineering design, and the panel voted three-to-three – a tie.

The Project Manager and Director then indicated they would seek additional supplemental information from these two firms to help answer some scope of work questions raised

during the interviews, and subsequently each firm would be asked to provide a detailed work plan and fee proposal to accomplish the project within two clearly identifiable boundaries; from the notice to proceed to the date the last construction package goes out to bid.

Each panel member indicated that through this process, they would support the ultimate recommendation from the Project Manager and the Director.

- ◆ **Supplemental Evaluation:** Follow-up telephone interviews were held with both Carollo and Black & Veatch. Each firm was asked questions to provide clarity to their oral interviews and their SOQ's. Each firm was given oral direction to provide additional information by noon on June 3, 2005, that further clarifies their understanding of the project, and their proposed fee to perform professional services. Excluded from the fee are services during construction and bid evaluations. Each firm sent representatives to gather additional information from the District during individual meetings with the Director and Project Manager.

The two proposals of detailed work plan and engineering budget estimate was reviewed in detail by the Project Manager. A summary of the review follows.

Item	Carollo	Black & Veatch	Remark
No. days to PDR	132	121	Nominally equal
No. of design packages	6	8	None
Enviro Permit assumption	18 months, complete Jan 2007	18 months, complete Sep 2006	Each must assume the process began at different times.
No. of Tech Memos	19	13	The subject matter required to be in TM form is captured by both firms even though the quantity is different.
Go to Bid	Feb 2007	Sep 2006	Advantage B&V; however, permit timing is a concern.
Overall work plan	Best	Good	Advantage Carollo
Potential Construction Cost Saving Ideas	~\$30M	\$19M to \$26M	Advantage Carollo
Evaluation of technical approach	Good	Best	Advantage B&V
Evaluation of District Expectations	Best	Good	Advantage Carollo
Evaluation of Intake Design	Best	Good	Advantage Carollo
Overall Design Budget Reported in Proposals	1.25BASE	BASE	Advantage B&V
Net Design Budget when Scope and Budget are evaluated on equal terms (i.e., apple & apple comparison)	1.15BASE	BASE	Advantage B&V
Estimated Number of Drawings	702	702	Surprisingly, they estimated the same quantity
and Relative Cost per Dwg	1.15BASE	BASE	Advantage B&V
Overall Evaluation - Overall Work Plan - Design Fee Est			Advantage Carollo Advantage B&V

- ◆ Selection: The Project Manager and the Director judged the Carollo team's understanding and approach slightly better than the Black & Veatch team; however, the Black & Veatch team's technical understanding and fee estimate are judged best of the two firms. Based on the significant difference in the fees presented, the Project Manager and Director have selected Black & Veatch. The Project Manager and Director identified a small portion of the work that Carollo was judged best, and they entered into negotiations with Carollo and Black & Veatch whereby two contracts would be let, the majority to the lead firm Black & Veatch, and a minority portion to Carollo. Through these negotiations, Carollo opted to decline in participation due to a business risk-reward analysis; therefore, the District has entered into full negotiations with Black & Veatch.
- ◆ Design Phase Budget: Through negotiations, which are presently ongoing and not yet final, the Project Manager firmly believes that the engineering design services will come in significantly below the line item budget (i.e \$8.4 million). The final scope of work is under negotiations, and preliminary tabulation of the design fee is presented below. The result of these negotiations, if it progresses as presented herein, is that nominally \$500,000 in cost savings will be added into the Design Phase Reserve line item budget.

Item	Cost
BASE fee proposal	\$6,100,000
Additional scope for complete engineering through end of construction bidding	\$900,000
Subtotal – Engineering Design Services (excluding assigned subs)	\$7,000,000
Engineering Contingency (including funds for assigned subs)	\$850,000
Total Engineering Services	\$7,850,000
Line Item Budget for Engineering Services	\$8,400,000
Additional Design Contingency	\$550,000

At the February 2005 meeting, Commissioners approved two staff recommendations: (1) that a revised Project Design-Construction Strategy involving contracting with a single design firm be followed; and (2) for the sake of expediency, that so long as consultant fees are within the approved line item budget and supported by the Technical Support Group, the recommendation for award may be forwarded directly to the Board of Supervisors for their approval. In keeping with this direction, the design contract with Black & Veatch will be forwarded to the Board of Supervisors; however, prior to placement on the Board's agenda, the final details of the negotiated Agreement will be shared with Technical Support Group for their concurrence. It is estimated that this contract will be ready for approval by the Board of Supervisors some time in July 2005.

PROJECT ISSUES

The purpose of this section of the project management report is to identify other areas that have received specific focus since the last Commission meeting.

- **Camp Roberts Coordination:** Staff met with representatives of Camp Roberts, Camp San Luis Obispo, and the Army Corps of Engineers on June 1, 2005, to discuss the project. In addition to establishing important points of contact, camp representatives will confirm requested project participation and work on terms of securing permanent easement through Camp Roberts. A route tour followed with the opportunity to view sensitive archaeological sites and areas of habitat

significance as well as the overall construction setting. Camp representatives granted ongoing right-of-entry for route inspections and identified the forms to be completed for soils sampling. September 14, 2005, is the next tentative meeting date.

The Corps typically issues easements for 25-years, and sometimes for 50-years. The District will strive to receive a 50-year easement. Cost implications will be tracked and reported to the Commission as they become available.

- **Presence of Mercury in Watershed:** In decades past, one of the commercial activities in the Nacimiento watershed was mercury mining. For this reason, mercury levels in the lake have been closely monitored and found to be well within public drinking water limits in the main stem of the dam. Mercury occurs naturally in the local geologic formations and was at one time mined. Proper mine abandonment has been scrutinized by local regulators as well as the federal Environmental Protection Agency and there is a possibility that Superfund monies will be dedicated to their abandonment. This is good news for the overall health of the watershed, providing further assurance that mercury levels will remain well within drinking water limits. Refer to the attached “fact sheet” on page IV(a)-5 titled *Nacimiento Project, The Mercury Issue*, for more mercury background.
- **Cost categories:** One financial issue to address pertains to clarifying the categorization of costs according to the entitlement contracts. Your Technical Support Group briefly reviewed this in late 2004 and will be developing recommendations in conjunction with the Finance Committee. The result will be policies for your Commission to consider that determine how costs identified in the project budget, once incurred, are allocated to the cost categories identified in the interagency contracts. The policies are important because the contracts identify each agency’s share of project costs based on those defined contract categories.
- **Intake Tower Location:** The location for the intake facilities is on the northern side of the lake near the dam. The land is owned by Monterey County Water Resources Agency (MCWRA), and a lease is held on the land by Nacimiento Lake Resorts. Procuring a portion of the land for the intake facilities will be challenging given the lease conditions on the lands. The District has begun working with MCWRA regarding the procurement of the land. Cost implications will be tracked and reported to the Commission as they become available.

Revised June 2005

Mercury mining in the Nacimientto Lake watershed has been a much-discussed topic over the years. Mercury levels are low in the main body of the lake such that no health concerns are associated with its use as a drinking water supply. However, the existence of several abandoned mercury mines in the upper reaches of the watershed are a concern to long-term watershed management and their proper abandonment is being actively addressed by County, State, and Federal governments.

The Klau/Buena Vista mine site may be listed on the Federal Superfund Program's National Priorities List as early as September 2005, providing funds to protect the environment and to invest in long-term source protection. More information can be found in the Nacimientto Project's EIR¹ or at the EPA website².

For over a decade, water quality analyses at Lake Nacimientto have shown that mercury levels sampled near the face of the dam (i.e. near the intake structure) are low – less than one part per billion which is well within the drinking water allowable limit. In other words, the lake water near the proposed intake structure already meets drinking water standards for mercury. Further, in the event that levels in the lake water rise over time, mercury could be readily filtered out by a conventional filtration system. Higher levels of mercury are found in sediments along tributaries into the lake. Because mercury is a heavy metal, it settles out of solution in the upper reaches and does not migrate the several miles to the face of the dam.

Mercury is valuable in some medical and industrial applications. While it is a beneficial natural resource, it can also be problematic in lake soils and can accumulate in fish tissue. The California Dept of Fish & Game issues public health advisories on fish consumption for lakes throughout the state. For Lake Nacimientto, they advise, *"Because of elevated mercury levels, no one should eat more than four meals per month of largemouth bass from Lake Nacimientto. Women who are pregnant or may become pregnant, nursing mothers, and children under age six should not eat largemouth bass from the area."* This advisory remains in effect today as a health advisory to those that engage in sport fishing.

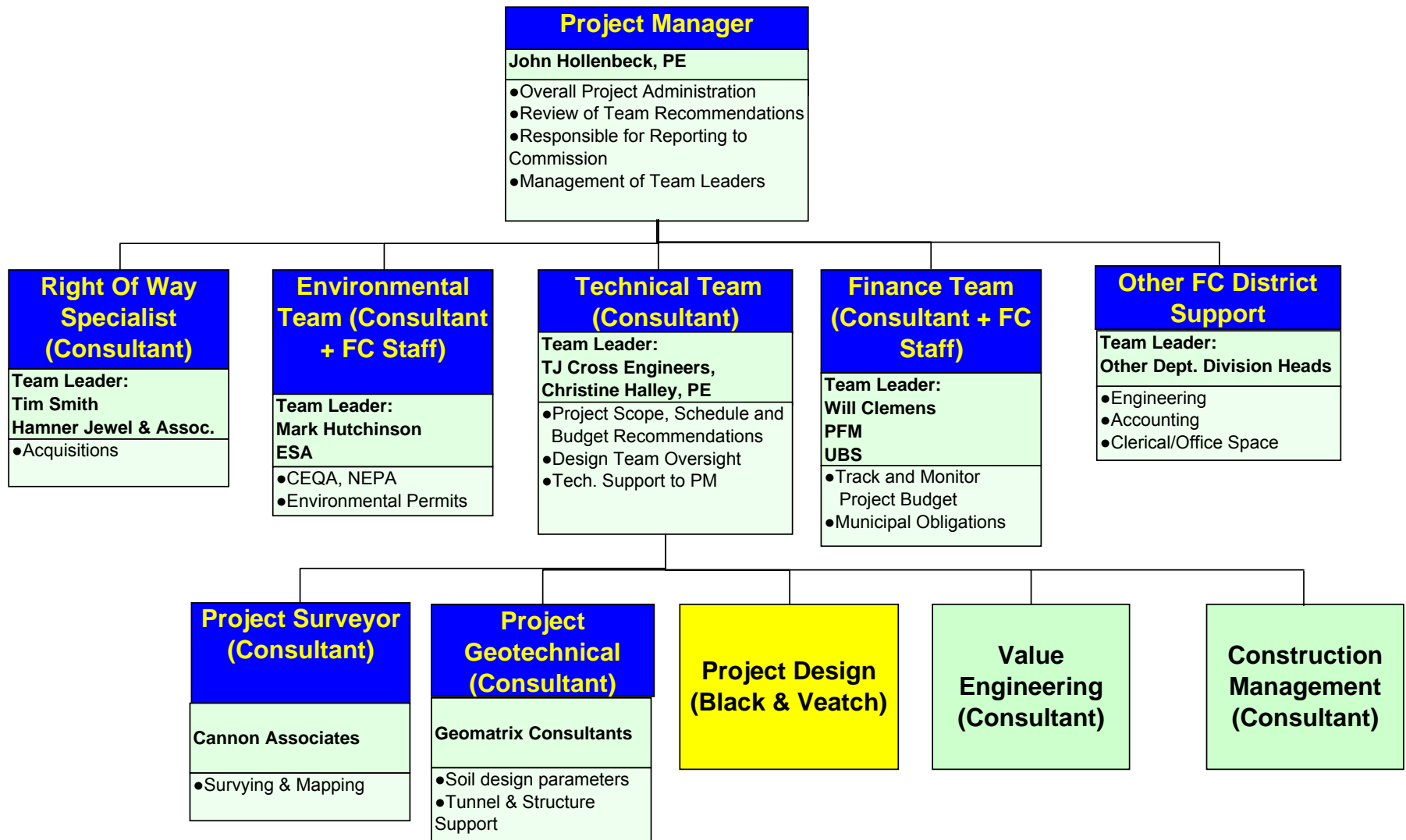
How is it possible that the water is safe to drink but eating too much fish could be hazardous? This is the case because some species of fish are "bottom feeders" who consume the mercury that has settled out in the lake sediments. Over time, mercury levels build up in the fish tissue and this is passed along the food chain. Mercury does not migrate miles to the deeper part of the lake nor does it stay in suspension. That is why levels at the intake tower are so low and the water meets the drinking water standards for mercury even before treatment.

Submitted by
Christine Halley, PE

¹ www.nacimientoproject.org/final/Environmental.pdf

² www.epa.gov/superfund/sites/npl/nar1732.htm

Nacimiento Project Delivery Team



Note: During the Construction Phase, add Construction Management Consulting firm and one or more Construction Contracts.

Nacimiento Project Commission
June 23, 2005
Agenda Item IV.b – Project Schedule
(Information Only – No Action Required)

We expect to have an initial detailed project schedule for your Commission to review approximately one to two months after the design firm starts work. Submittal information from the design consultants indicates optimism toward the design and construction elements of the project. Early completion on both is anticipated if permits are obtained in the timeline as presently anticipated.

Nacimiento Project Commission
June 23, 2005
Agenda Item IV.c – Project Budget
(Information Only – No Action Required)

Budget Status: No significant changes to the budget are noted. The budget update table is presented following this page.

Nacimiento Water Project Project Budget Reporting

Latest Update 6/6/05

	Initial Budget	Revised Budget as Approved February 2005	Cost to Date thru 5/31/05	Remaining Budget	Projected Total Cost	Projected Varinace	Comments
Design Phase Anticipated Costs (July 2004 through August 2007)							
Project Management	\$1,250,000	\$1,875,000	\$438,856	\$1,436,144	\$1,875,000	\$0	Includes County Project Manager, VE, support staff, consultant support, and legal fees. 2/05-extended +7 months
Environmental	\$800,000	\$800,000		\$800,000	\$800,000	\$0	Includes design assistance, permit applications, agency coordination and internal staff time.
Survey and Base Mapping	\$150,000	\$700,000		\$700,000	\$700,000	\$0	2/05-revised base on fee proposals received in January
Geotechnical Investigation	\$500,000	\$550,000		\$550,000	\$550,000	\$0	2/05-revised base on fee proposals received in January
PG&E Service Extension	\$1,100,000	\$1,100,000	\$5,170	\$1,094,830	\$1,100,000	\$0	Initial estimate to extend power to proposed facilities
Right of Way Consulting Services	\$500,000	\$425,000	\$24,782	\$400,218	\$425,000	\$0	Hamner-Jewell contract dated 2/05 plus allowance for appraisal and title reports by others
Property Acquisition	\$2,000,000	\$2,000,000		\$2,000,000	\$2,000,000	\$0	
Construction Mgt/Constructability Review	\$2,000,000	\$2,000,000		\$2,000,000	\$2,000,000	\$0	Initial CM services authorization
Engineering Design	\$9,600,000	\$8,400,000		\$8,400,000	\$8,400,000	\$0	2/05-adjusted based on single design firm
Finance	\$0	\$115,000		\$115,000	\$115,000	\$0	
Design Phase Budget Reserve	\$1,000,000	\$935,000		\$935,000	\$935,000	\$0	
SUMMARY - DESIGN PHASE	\$18,900,000	\$18,900,000	\$468,808	\$18,431,192	\$18,900,000	\$0	
Construction Phase Anticipated Costs (August 2006 through August 2009)							
Project Management	\$2,325,000	\$2,712,500		\$2,712,500	\$2,712,500	\$0	2/05-extended +4 months
Environmental Mitigation	\$3,700,000	\$3,720,000		\$3,720,000	\$3,720,000	\$0	Contingency item (estimated as approximately 4% of construction cost) for pipeline realignment, special construction techniques, and other costs incurred due to unforeseen environmental issues
Materials Testing	\$300,000	\$300,000		\$300,000	\$300,000	\$0	
Construction Management	\$4,200,000	\$4,185,000		\$4,185,000	\$4,185,000	\$0	Est. at 4.5% of construction cost, inc design phase work
Environmental Monitoring	\$1,800,000	\$1,800,000		\$1,800,000	\$1,800,000	\$0	Includes cost for cultural and biological monitors during construction
Construction Contracts	\$93,000,000	\$93,000,000		\$93,000,000	\$93,000,000	\$0	
Construction Phase Contingency and F	\$24,231,000	\$23,838,500		\$23,838,500	\$23,838,500	\$0	
SUMMARY - CONST. PHASE	\$129,556,000	\$129,556,000	\$0	\$129,556,000	\$129,556,000	\$0	
Prior Expenses							
Advance Expenditures	\$513,000	\$513,000		\$513,000	\$513,000	\$0	
Cuesta Tunnel	\$1,031,000	\$1,031,000		\$1,031,000	\$1,031,000	\$0	Includes construction of Nacimiento Water Project pipeline section through Cuesta Tunnel
				\$0	\$0	\$0	
TOTAL PROJECT*	\$150,000,000	\$150,000,000	\$468,808	\$149,531,192	\$150,000,000	\$0	

* Rounded to \$100k

Nacimiento Project Commission
June 23, 2005
Agenda Item V – Presentations
(No Commission Action Required)

No presentations are scheduled for this Commission Meeting.

Nacimiento Project Commission
June 23, 2005
Agenda Item VI.a – Meeting with MCWRA
(Commission Action Required)

TO: Nacimiento Project Commissioners
FROM: John R. Hollenbeck, Nacimiento Project Manager
VIA: Noel King, Director, Department of Public Works
Date: June 16, 2005

Recommendations

That your honorable Commission designates a minority number of representatives to meet elected official with Monterey County Water Resources Agency for a no-host lunch meeting in King City, California, to discuss issues with the Nacimiento Water Project.

Discussion

As owner and operator of Lake Nacimiento, Monterey County Water Resources Agency (MCWRA) is a key agency with which the San Luis Obispo County Flood Control & Water Conservation District (District) interacts. There are several points of Nacimiento Water Project coordination with MCWRA including the need to amend the 1959 agreement in recognition of the planned point of diversion and acquiring rights to the proposed intake tower/pump station location. Staff has coordinated with MCWRA staff in recent years but it is clear that elected officials and the public must be informed of the future actions and plans.

At the April 29, 2005, staff coordination meeting between both agencies, MCWRA suggested a meeting to include elected officials as early as August 2005, to review the project status and to discuss the approach to amending the 1959 agreement and securing property rights.

While coordinating an August 2005, meeting, the MCWRA Staff recommended the August meeting be with minority representatives from both agencies at a restaurant in King City for a no-host lunch meeting. There are new representatives on their Board and the MCWRA staff believes a smaller group meeting will be of greater benefit.

The next staff coordination meeting is scheduled for July 22, 2005, in King City.

Other Agency Involvement

MCWRA would be primarily involved in this meeting.

Financial Considerations

Historically, the District and MCWRA have taken turns hosting this meeting at a restaurant in King City. MCWRA staff however have suggested a no-host lunch since many of their elected officials are new and that these meetings have not recently been conducted.

Assuming eight to ten members from the NWP representatives, the cost to the Project is estimated to be \$150 to \$200. If MCWRA would allow the Project to pay for the entire lunch bill, the cost is estimated to be nearly double.

Results

Approval of the recommended action will help foster a cooperative working relationship with MCWRA representatives relating to this Project.

Nacimiento Project Commission
June 23, 2005
Agenda Item VI.b – Value Engineering Strategy & Procurement
(Commission Action Required)

TO: Nacimiento Project Commissioners

FROM: John R. Hollenbeck, Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

Date: June 16, 2005

Recommendation

Approve assembly of the project Value Engineering team through selection of specific individual experts within the disciplines associated with the Nacimiento Water Project, and engage these individuals through a set of purchase orders.

Discussion

The value engineering team described in the previous editions of the Project Delivery Strategy was responsible for much more than the “classic” value engineering of a design engineer’s construction documents. Since the number of design consultants has been reduced from five originally planned, to a single firm, the elements of program management of five design firms has been eliminated; therefore, the Project Delivery Strategy can be modified so value engineering is redefined to focus on review of the engineer’s design deliverables.

Classic value engineering is a technical review of a proposed project design with the goals of saving money, ensuring quality and functionality, and identifying potential design errors or omissions. Formal value engineering on a large project is advisable and may result in significant savings in project costs and/or schedule.

The Nacimiento Project Commission directed staff to include value engineering on this project and the \$1.875 million Project Management line item budget includes such services. Various approaches to procuring value engineering were discussed with the Technical Support Group on June 9, 2005, ranging from sole-sourcing the contract to the second-place design consultant team, to following a classic request for proposals, to assembling individuals noted in their fields to value engineer the proposed design. In addition, a two-phased approach to value engineering review of the NWP was presented: (1) the benefits of value engineering the design engineer’s Preliminary Design Report (PDR) were presented, and (2) value engineering in the “classical” sense as relating to construction documents (drawings and specifications) after a significant level of design has been completed (e.g., 50- to 75-percent).

The Technical Support Group approved value engineering of the PDR, and advised to judge later whether or not to value engineer the construction documents. The Technical Support Group also advised that the value engineering team be assembled through selection of specific individual experts within the disciplines associated with the Nacimiento Water Project, and engage these individuals through a set of purchase orders. A team numbering in the order of six to eight individuals is the preliminary estimate.

Other Agency Involvement

Representatives from participating agencies concurred with this approach at the June 9, 2005, Technical Support Group meeting. Further, members of the Technical Support Group are welcomed to participate as value engineering members or as observers of the process. And in addition, water agency engineers with experience in specific discipline areas of a pipeline project may be invited to participate on the value engineering panel.

Financial Considerations

A portion of the \$1.875-million Project Management line item budget includes value engineering services. Value engineering the PDR is estimated at \$120,000. Nominally there is \$500,000 identified within the budget for various project management support activities which also include value engineering; therefore, the value engineering component is within the budget limits. Staff will report back to your Commission if value engineering of subsequent design documents is judged necessary.

Results

Approval of the recommended action will result in staff taking a direction supported by the Project's Technical Support Group in setting up the value engineering function.

Nacimiento Project Commission
June 23, 2005
Agenda Item VII.a – Design Phase Funding Direction
(Action Item-Commission Approval Required to forward to Board of Supervisors)

TO: Nacimiento Project Commissioners
FROM: John Hollenbeck, Nacimiento Project Manager
VIA: Noel King, Director, Department of Public Works
Date: June 16, 2005

Recommendation

Direct staff to proceed with issuance of commercial paper as a means of financing design phase project costs.

Discussion

The project Finance Committee has met twice since the last Commission meeting to consider alternatives for meeting the estimated \$18.9 million design phase funding needs. They considered options ranging from cash payments, to bond anticipation notes, to commercial paper financing. After considering interest rates and other terms of borrowing, the Finance Committee concluded that commercial paper is the preferred short-term debt method for design phase financing.

Participants may elect to finance all, none, or a portion of their share of design phase costs; therefore, the project financial team is examining a variety of financing scenarios and exact amounts of financing will be determined later by individual participants.

Following Commission direction, formal authorizations for commercial paper financing will be brought to individual participant's governing boards as well as the District's Board of Supervisors as appropriate.

Other Agency Involvement

Representatives from participating agencies concurred with this recommended approach at the June 9, 2005, Finance Committee meeting.

Financial Considerations

The terms of borrowing were discussed with the Finance Committee and estimates of financing costs have been provided to each participant.

Results

Taking the recommended action will provide staff with the required formal direction to proceed with the establishment of a design phase financing instrument that is consistent with the recommendation of the Finance Committee that represents the financial interests of the Project's Participants.